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- Retail sales rebound.
- Welfare leavers have higher income when off welfare than on.
- Biotechnology companies see revenues soar.

### The Economy

- Sales by retailers in the province rose 2.1% (seasonally adjusted) in January, after declining in December (-1.2%). Nationally, retail sales increased 0.7%. Canadian consumers increased spending on food (+0.4%), automotive purchases (+0.8%) and clothing (+3.1%). Spending on furniture fell 1.7%.

*Source: Statistics Canada*

- The number of people in BC receiving regular Employment Insurance benefits dropped 5.5% (seasonally adjusted) in January. Across the country, the number of EI beneficiaries was down 3.3% falling in every province and territory. Ontario (-7.1%) and Yukon (-5.6%) had the biggest declines.

*Source: Statistics Canada*

### Court Cases

- In 2001/02, there were 60,210 adult criminal court cases processed in the province. Of these, 55% of the accused were found guilty, 35% of cases were withdrawn or stayed and 3% of the accused were acquitted. The median elapsed time for these cases was 79 days.

Canada-wide there were 452,450 adult criminal court cases with 60% ending in a guilty verdict. Another 34% were stayed or withdrawn and 3% were acquitted. Impaired driving cases (12%) were the most frequent cases heard, followed by common assault (11%) and theft (9%). There were 540 homicide cases and 389 attempted murder cases heard in adult court.

*Source: SC catalogue 85-002-XPE*

### Legal Aid

- There were 92,232 applications for legal aid in the province in 2001/02. Over half (64%)

were for civil matters while the remainder concerned criminal matters. A total of 22,786 applications were refused, 41% because of coverage restrictions and 31% due to financial ineligibility. Revenue for legal aid plans was \$93.7 million in 2001/02 up 6% from the previous year. Most (95%) came from government contributions. Expenditures rose 3% to reach \$90.0 million.

*Source: SC 85-F0015-X1E*

### Welfare Leavers

- Welfare leavers in BC during the 1990s saw an average increase of \$3,100 (\$1999) in their family adjusted disposable income. Welfare leavers had an average family adjusted disposable income (adjusted for family size and associated economies of scale) of \$8,500 while on welfare. Two years later, those who had left welfare sometime in the past year had an average family adjusted disposable income of \$11,600. When all leavers are ranked from largest to smallest change in family adjusted disposable income, the bottom third of leavers had a net loss of \$6,500 while the top third had a net gain of \$13,500.

Welfare leavers in Canada had an average family adjusted disposable income of \$8,500 while on welfare and \$11,700 after leaving. Welfare leavers in Ontario did better both while on welfare and after leaving welfare. The average family adjusted disposable income of welfare leavers was \$9,500 while on welfare and \$12,400 after leaving. Alberta welfare leavers saw, on average, the smallest change in income, with \$8,000 on welfare and \$10,000 off welfare.

*Source: SC 11-F0019-MIE*

### Disabled adults

- Of the 220,050 adults in BC with disabilities that require assistive aids and devices in

## Did you know...

The average age of Canadian employees working in education and health care was 42.7 in 1999, the highest of all industries.

2001, over half (55%) reported that they had all the aids and devices they needed. An additional 33% had some aids but required more and 13% did not use assistive aids and devices but required them. There were 305,380 disabled adults in the province that received help from people in their lives. Most of the helpers (60%) were family members who lived with the disabled individual. Another 104,020 people reported receiving help from family that did not live with them

*Source: SC Catalogue 89-581-XIE*

### Abortions

- There were 14,009 abortions performed in BC in 2000, down 4.3% from the previous year. The number of abortions per 1,000 women also declined from 16.2 in 1999 to 15.5 in 2000. Nationally, 105,427 women had an abortion or 15.4 per 1,000 women. Half (51%) of the women were in their twenties. Women in Nunavut (28.2 abortions per 1,000 women) and in Northwest Territories (27.8 abortions per 1,000 women) had the highest rate of abortions.

*Source: Statistics Canada*

### Biotechnology

- Revenues of biotechnology innovative firms were \$7.1 billion in BC in 2001. Of these, \$414 million was biotechnology revenue. There were over 15,000 employees of biotechnology innovative firms, with 12% having biotechnology-related responsibilities. Revenues of biotechnology innovative firms in Canada were \$27.1 billion in 2001, up 45% from 1999 and 87% from 1997. Employment in the industry is also climbing. There were 62,242 people working for an innovative biotechnology firm in 2001, compared to 31,924 in 1997. Biotechnology workers accounted for 19% of employees in 2001, down from 28% in 1997.

*Source: Statistics Canada*

### Human Genetic Material

- In a survey of federal government departments and commercial life science establishments, five percent of federal departments or agencies reported holding some form of genetically based material.

Eleven percent of commercial life science establishments held some amount of genetically based material. Genetic material includes samples of blood, skin, tissue, hair, teeth and bones as well as secondary samples.

*Source: Statistics Canada*

### Tourism

- Tourism spending in Canada fell 1.1% in 2002 as both residents (-0.4%) and non-residents (-2.6%) decreased their demand for tourism products. Transportation industries were the hardest hit, with spending down 2.4%. Accommodation was the only sector to see an increase (+2.2%).

*Source: Statistics Canada*

### The Nation

- Canada's industrial product price index rose 2.3% in February compared to the same month of 2002. The driving force behind this increase was petroleum and coal products which climbed 44.1%. When these products are excluded the IPPI remained flat (+0.0%). Both lumber and other wood products (-6.2%) and pulp and paper products (-1.9%) saw declines.

The raw materials price index jumped 22.6% in February compared to February 2002. Most of the gain was attributable to mineral fuels (+49.6%). When mineral fuels are excluded the index shows a 4.8% increase. Wood (+9.3%) also made large gains.

*Source: Statistics Canada*

- Assets held by Canadians in the form of direct investments abroad reached \$431.8 billion by the end of 2002, up 10.8% from the previous year. Foreign direct investments from the United States accounted for 47% of the total, down from 49% in 2001. Foreign direct investment in Canada was \$349.4 billion in 2002, a 4.7% increase from 2001. Most (64%) of the direct foreign investment was held by Americans

*Source: Statistics Canada*

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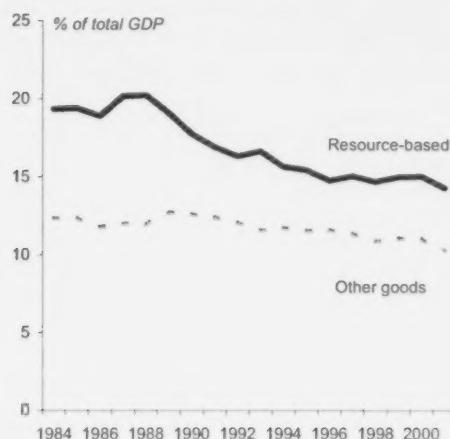
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## Changing course: drivers wanted

### Shifting gears

British Columbia's economy has been undergoing a period of structural change during the last two decades, as the drivers of economic growth have shifted from the resource sector into other types of industries, many of which are in the service sector. Forestry, which has long been viewed as BC's dominant industry, no longer influences the economic fortunes of the province to the extent that it once did.

*The role of resource-based industries, and other types of goods production, has been declining over time*  
In fact, resource industries as a whole are gener-



ally playing a less prominent role in BC's economy. Forestry, mining & energy, agriculture and fishing, with their related manufacturing activities produced nearly a fifth of the province's Gross Domestic Product (GDP<sup>1</sup>) in 1984. By 2001, the sector's share had fallen to 14%, a fairly

<sup>1</sup> All GDP figures in this document are expressed in constant (1997) dollars and are measured at basic prices. Although GDP in the expenditure account is now calculated using a Chain Fisher formula, the industry account data is still based on a Laspeyres index.

dramatic decline over a relatively short period. At present, one in eleven BC workers is employed in a resource-based industry. That compares to one in seven in the mid-1980s.

This does not spell doom and gloom for the resource sector, however. Resource industries are still important to BC's economy. They continue to dominate goods production, but not to the extent that they once did. The decline in share has occurred primarily because resource (and other goods-producing) industries have failed to keep pace with a steadily growing service sector. Forestry is still one of the province's biggest industries, generating nearly 8% of its GDP. Mining & energy, including related manufacturing activities contribute another 4% of total output. However, service industries such as finance, insurance and related services (12%), health care (7%), retail (6%) and wholesale (5%) trade and information & cultural services (5%) make similarly large contributions to total GDP.

### Is BC still a resource-based economy?

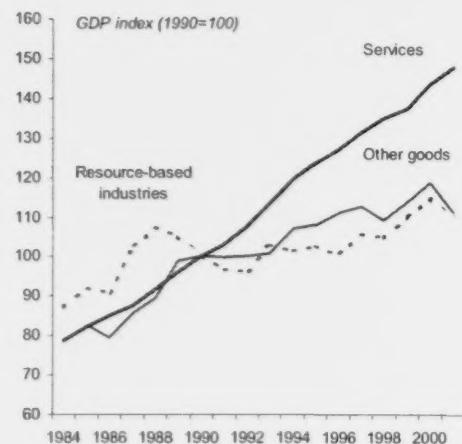
Since 1990, the province's goods sector has expanded nearly 11%, substantially less than the 48% increase seen in the service sector. Services now generate three-quarters of the province's GDP, up from 68% in 1984. With three-quarters of the province's GDP, and 80% of the jobs, originating in the service sector, it can be argued that BC's economy is no longer dominated by resource extraction and processing industries. Natural resources played a key role in the early development of the province's economy, but over time, this role has been diminishing as new industries have emerged, and the way that companies-and consumers-do business has changed. Resource allocation constraints and changing world markets have also been factors in the shifting focus of the economy.

One reason that is sometimes given for the rapid growth that has occurred in the service sector is that many companies are now out-sourcing activities that were formerly done in-house. These range from the professional services of lawyers, accountants and engineers to trucking, shipping, janitorial, security and food services. As a result, the value added to the economy by these activities is now attributed to the service sector, rather than the goods industries, where it would formerly have been allocated.

Some would argue that this change explains much of the growth that has occurred in the service sector during the last two decades. There can be no doubt that many service companies depend on forestry, mining, fishing and agriculture for all or part of their livelihood. The question is whether they owe their existence, or just some of their income, to the resource sector.

One way of attempting to answer this question is to use a modelling technique called input-output analysis to measure the linkages, or spinoffs, between the resource sector and other industries. Even when these linkages are taken into account<sup>2</sup> no more than about a third of BC's total GDP can be attributed to activities in the resource sector (primarily forestry). That makes it an important driver of the BC economy, but not the only one.

*Services have expanded steadily, while resource and other goods industries have experienced many ups and downs*



British Columbia's recent economic history also sheds some light on this question. Although the resource sector has contracted twice during the four-year period from 1998 to 2001, BC's economy has continued to grow<sup>3</sup> because the service sector has expanded steadily even when the goods side has been stuck in the doldrums. In other words, the demand for services has remained strong enough to bolster the economy and protect it from the big swings-both up and down-that occur in the natural resource sector.

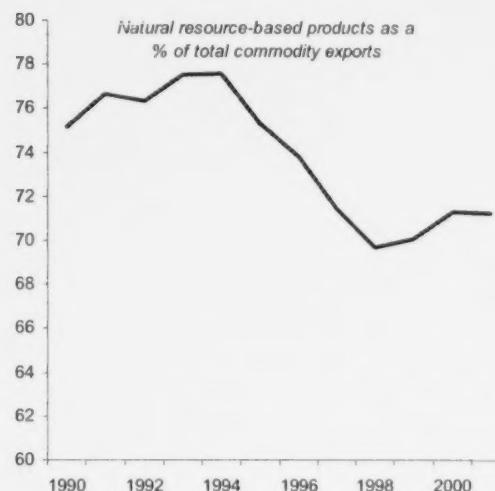
#### Why does the view that BC's economy is resource-dependent persist?

Natural resource extraction and processing activities are still critical drivers in many areas of the province. A number of communities in BC remain highly dependent on these activities, and their economies rise and fall with the fortunes of the forest, mining & energy, agriculture and fishing sectors.

<sup>2</sup> Even with the most generous assumptions about how economic activity should be allocated back to "driver" industries, no more than 37% of total GDP can be attributed to resource extraction and processing (using 1996 data). On the other end of the spectrum, a conservative estimate suggests that including spinoffs, about 17% of BC's GDP in 1996 was attributable to these industries.

<sup>3</sup> In 2001, real GDP at basic prices expanded 0.9%, using the Laspeyres method

Natural resource products make up the lion's share of BC's commodity exports...



Many small communities are one-industry towns-dominated by the local mill, or mine, or fish processing plant. When these mills or plants shut down, or disputes such as the softwood lumber issue lead to layoffs and temporary closures, the whole community feels the pinch. While the economic hardships (or advantages) resulting from the busts (and booms) in the resource sector are deeply felt in local areas, the total effect on the provincial economy is not always as severe as might be expected. During the last decade in particular, service industries have fueled the economy and smoothed out the bumps when resource-based industries have been stalled.

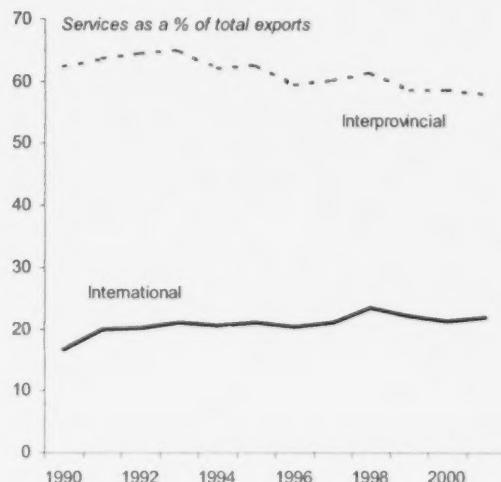
Forest products are still BC's dominant international export commodity, accounting for anywhere from 45-55% of total exports to the US and overseas in any given year. Other resource-based products are also important components of the province's export mix. Together, natural resource industries in BC supply nearly three-quarters of the goods that are sold to the US and overseas.

...but that is only part of the picture.

However, BC's economy exports more than just goods. Services are becoming an increasingly important source of export earnings for the province. In 2001, they accounted for more than a fifth of the province's total international exports.

In terms of trade with other provinces, services account for nearly two-thirds of the province's total export earnings. Tourism-related activities such as accommodation, meals and air transportation are important components of BC's service export mix, at both the international and interprovincial levels. Engineering, software development, film and other types of services are also major BC exports.

*Services dominate BC's trade with the rest of Canada, and make up a growing share of our international exports*



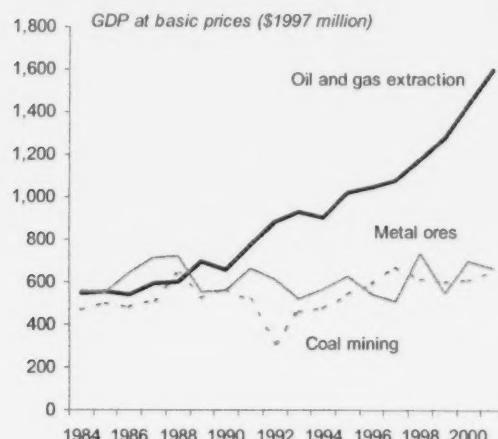
**The oil and gas industry has been the star performer in the goods sector**

BC is no longer a province of hewers of wood and drawers of water. The hewers of wood are still there—25,900 British Columbians worked in the logging industry in 2002—but they don't

comprise the bulk of the workforce or generate the biggest share of British Columbia's GDP.

While the focus of the economy has shifted away from goods production to a greater emphasis on service industries, not all industries in the resource sector have been lagging behind. Some resource industries have done remarkably well.

*Oil and gas extraction helped fuel the economy during the 1990s*



Mining & energy, for instance, has not suffered the general malaise experienced in the rest of BC's resource sector. Since 1984, the industry's GDP has doubled, with much of the growth occurring during the last decade, as the province's oil and gas sector has picked up speed. Oil and gas extraction accounted for just under a third of the mining & energy sector's total GDP in 1984; by 2001, this component of the industry was pumping out 46% of the value added to BC's economy by the mining sector. The oil and gas industry, which draws primarily on reserves located in the northeast corner of BC, has been one of the fastest-growing industries in the province during the last decade. Mining-related services (mainly exploration and development activities) have expanded even more, nearly tripling (+172%) since 1990. Metal (+14%) and coal (+19%) mining have made only modest gains.

BC's agriculture industry has held its own, largely because it has been diversifying over time. The mix of crops grown in the province has shifted from a focus primarily on tree fruits to floriculture, nursery and greenhouse products and other crops such as ginseng. Flowers, plants, and other nursery products are now among BC's most important interprovincial export commodities. Aquaculture, another resource-related industry, has also grown by leaps and bounds during the last two decades.

The construction and utilities industries experienced little or no growth during the last decade, but have expanded substantially since 1984. However, the forest sector is smaller than it was in 1990, and the fish and seafood processing industry has contracted significantly.

On the service side, growth has been more even and substantially stronger. All of the main industries in the service sector expanded during the 1990s, with increases ranging from a low of 21% in public administration to more than 70% in industries such as professional and scientific services or administration and waste management. This steady growth has carried the economy through the ups and downs that have occurred in the resource sector.

### What's hot? BC's fastest-growing industries during the 1990s

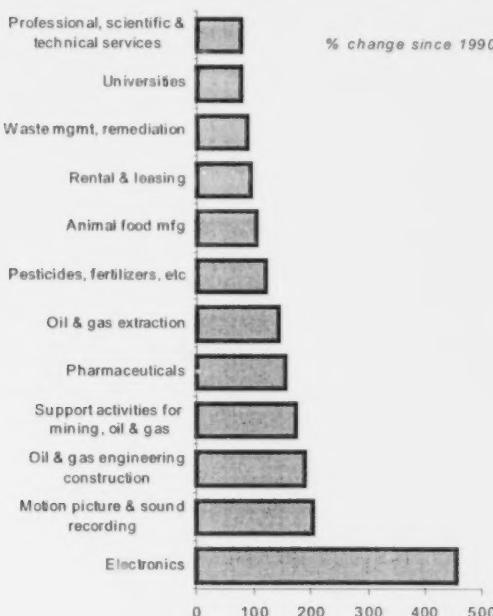
Despite the general shift from a goods to a service-oriented economy, the movers and shakers in BC's economy during the last decade can be found in both sectors<sup>4</sup>. Electronics manufacturing, a key component of BC's high tech sector, made the biggest gain, followed by the province's developing motion picture and sound recording industry. Pharmaceutical manufacturing, another

<sup>4</sup> GDP data covering the period from 1984 on is not available for all industries, so this list excludes some industries such as aquaculture, which have seen substantial growth during the last decade.

important player in BC's high tech sector, also expanded significantly during the 1990s.

The effects of a booming oil and gas sector were widespread throughout the economy. Oil and gas-related construction, services and extraction activities all made solid gains.

*During the 1990s, high-tech industries grew rapidly*



Rental and leasing activities have gained prominence as more companies and individuals have been gradually shifting their spending from outright purchases of capital assets to other arrangements such as leasing. Tourism activities may also have played a role in the growth of this industry, which includes vehicle and equipment rentals.

An increased emphasis on environmental issues, together with a growing population, helped boost the waste management and remediation industry. Recycling of glass, paper and other waste by consumers and establishments is a growing source of business in the province.

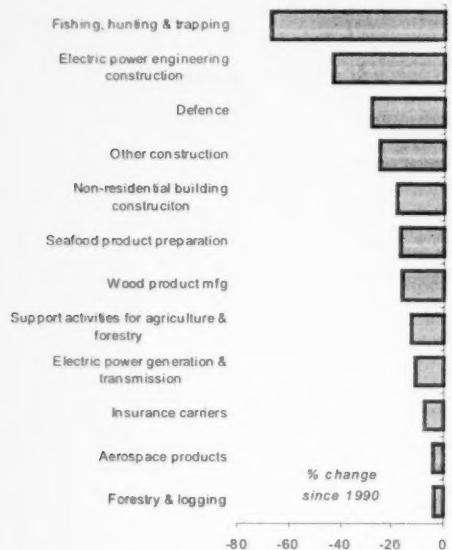
The demand for professional, scientific and technical services-accounting, engineering, surveying and mapping, legal, management and research service-has also been expanding. Some of this may be related to outsourcing and activities in the oil and gas sector, but other factors have also played a role in this industry's growth.

Other industries that have expanded by at least 50% since 1990 (in real terms) include financial services, pipeline transportation, warehousing, retail trade, repair and maintenance services, and municipal administration. Arts, entertainment and recreation, personal services, wholesaling and similar industries have also been growing faster than the economy as a whole.

## What's not?

On the flip side of the coin, some BC industries have been struggling as the focus of the economy has shifted, international and domestic markets for their products have weakened, and resource constraints have limited production.

Industries that have declined substantially, in real terms, since the beginning of the 1990s include fishing and trapping, seafood preparation, defence, aerospace products, forestry and wood product manufacturing.

*Many resource-based industries suffered setbacks***Another change of drivers in the new millennium?**

High-tech was one of the prime drivers of the economy during the 1990s, but the jury is still out on whether that sector will be able to retain this role in the new millennium. BC high tech industries felt the effect of the bursting dot-com bubble in 2001, which was a challenging year for many industries. Activities throughout the high-tech sector, especially on the manufacturing side, fizzled. The electronics industry, which had one of the strongest long-term growth records in the province during the 1990s, shrank more than a third (37.0%) in 2001. Manufacturers of pharmaceuticals (-14.4%) and aerospace products (-18.5%) also saw double-digit declines in GDP.

It is too early to say whether any one industry will emerge as a new driver of BC's economy, but the industries that led during the 1990s, and were able to maintain their growth in 2001 bear watching. Many, such as the film industry, are still tiny, and can have little real effect on overall GDP growth. However, if the impetus for economic growth in BC continues to come primarily from the service sector, these small industries together may be able to help insulate the province from the effects of volatility in larger, more established goods-producing industries.

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## BC at a glance . . .

POPULATION (thousands)		Jan 1/03	% change on one year ago
BC		4,155.8	0.8
Canada		31,499.6	0.8
GDP and INCOME		2001 Revised	% change on one year ago
(BC - at market prices)			
Gross Domestic Product (GDP) (\$ millions)		130,859	1.2
GDP (\$ 1997 millions)		123,912	-0.2
GDP (\$ 1997 per Capita)		30,252	-1.1
Personal Disposable Income (\$ 1997 per Capita)		19,513	1.2
TRADE (\$ millions, seasonally adjusted)			% change on prev. month
Manufacturing Shipments - Jan		2,878	-0.4
Merchandise Exports - Jan		2,466	0.7
Retail Sales - Jan		3,440	2.1
CONSUMER PRICE INDEX			12-month avg
(all items - 1992=100)		Feb '03	% change
BC		119.6	2.6
Canada		122.3	2.8
LABOUR FORCE (thousands)			% change on prev. month
(seasonally adjusted)		Feb '03	
Labour Force - BC		2,180	0.6
Employed - BC		2,002	0.6
Unemployed - BC		178	0.6
			Jan '03
Unemployment Rate - BC (percent)		8.2	8.2
Unemployment Rate - Canada (percent)		7.4	7.4
INTEREST RATES (percent)		Mar 26/03	Mar 27/02
Prime Business Rate		4.75	3.75
Conventional Mortgages - 1 year		5.35	5.30
- 5 year		6.85	7.30
US/CANADA EXCHANGE RATE		Mar 26/03	Mar 27/02
(avg. noon spot rate) Cdn \$		1.4710	1.5933
US \$ (reciprocal of the closing rate)		0.6806	0.6271
AVERAGE WEEKLY WAGE RATE			% change on one year ago
(industrial aggregate - dollars)		Feb '03	
BC		679.14	3.5
Canada		658.93	2.1
SOURCES:			
Population, Gross Domestic Product, Trade,	} Statistics Prices, Labour Force, Wage Rate		
Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics			
For latest Weekly Financial Statistics see <a href="http://www.bankofcanada.ca">www.bankofcanada.ca</a>			

### Released this week by BC STATS

- Immigration Highlights, 4<sup>th</sup> Quarter 2002
- Migration Highlights, 4<sup>th</sup> Quarter 2002
- Business Indicators, March 2003
- Current Statistics, March 2003

### Next week

- No subscription releases

